

Guest Editorial

Mexico Today: Structural Reforms and the Mexico-EU Partnership

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In 2015, Mexico and the European Union (EU) commemorate the fifty-fifth anniversary of their bilateral relations. During these years, both have undergone structural changes that have made them increasingly important to each other. Mexico is, since 2008, one of the ten strategic partners of the EU, together with the United States, China, Japan, Brazil, Russia, India, Canada, South Korea and South Africa. This is mainly the result of a series of transformations that I will summarize in three sections: (1) Mexico today, (2) the importance of the Mexico-EU relationship, and (3) what we are doing to strengthen our ties.

Mexico is a vast country with 120 million inhabitants and an economy of over USD 2 trillion. In Purchase Parity Power (PPP) terms, if Mexico formed part of the EU it would be the fourth largest economy, only behind Germany, Great Britain and France. However, it is a country of contrasts. While several regions in Mexico have reached very high levels of development, others have lagged behind. An inequality gap rooted in social and historical factors has yet to be resolved. This complexity (natural in most large emerging democratic systems) has hindered the implementation of the policies required to tackle these challenges – partly due to opposing views among different political forces, but also because politicians tend to prioritize short-term measures over long-term policies.

An unprecedented event took place when Mr Enrique Peña Nieto became President in December, 2012; the major political parties sat down and agreed on a common vision for Mexico's development in the next twenty, thirty and fifty years. This agreement, known as *El Pacto por México* (Pact for Mexico), consists of two elements: Vision and Measures.

To build the country envisaged in the Pact for Mexico, the policy designers identified five challenges in the medium-term: full compliance with the rule of law; social inclusion; optimal quality in education; access to opportunities on an equal basis; and increased global leadership and responsibility.

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Since President Peña Nieto took office, a series of structural reforms has been launched to tackle these challenges. It is undoubtedly the most ambitious package ever undertaken by Mexico in such a short time. A total of *eleven structural reforms*, divided into three categories, have been implemented in order to boost the country's productivity and improve living conditions for the Mexican people on an equal basis.

Economic Reforms

- (a) Labour Reform
- (b) Fiscal Reform
- (c) Financial Reform
- (d) Telecommunications Reform
- (e) Energy Reform
- (f) Economic Competitiveness Reform.

When analysing the Mexican economy, one must take into account two key elements: the size of its domestic market (fourteenth economy of the world, with 120 million people and a total GDP of USD 1.3 trillion for 2013, with a forecasted growth of 3.2% for 2015), and its energy potential, besides the size of the Mexican territory.

The Labour Reform was one of the first, due to its across-the-board effects. It simplifies job recruitment, helping young graduates transition from the classroom into the labour market. It also promotes the inclusion and protection of women in the work environment, as well as universal pensions and unemployment insurance. As youth unemployment rates have skyrocketed to over 50% in several European countries, Mexico's reforms will ensure that they stay well below the 8% threshold.

The fiscal and financial reforms also have a horizontal effect. They seek to strengthen state and municipal finances, and to ease the flow of funds to productive sectors, mainly SMEs. It is worth noting that Mexico remained within a safe margin of the 2008 global financial crisis thanks to banking measures taken previously, during the mid-nineties Peso crisis.

In the field of telecommunications, the market was controlled by one large provider, leaving no room for competition. In June 2013, Congress approved the Telecommunications Reform, which gave the Mexican people access to an information and knowledge-based society. In total, five Constitutional articles were amended in order to strengthen the Federal Institute for Telecommunications (an autonomous body), granting it broader faculties to grant or revoke concessions in radio, broadband, telephone and mobile networks. These efforts have already translated into better service at lower rates.

The impact is even greater in the field of energy. Since the First World War, Mexico has been a significant oil exporter; taking into account its yet untapped reserves, it has the potential to become a leading producer of hydrocarbons on the global scale. However, for over seventy years, all aspects of the value chain were controlled by the state-owned company *Petróleos Mexicanos* (PEMEX) which, despite being the third or fourth largest in the world, proved to be highly inefficient.

In September 2014, the Energy Reform was enacted, modifying several Constitutional articles to enable the private sector, as well as foreign companies, to invest in hydrocarbons extraction in Mexico, to modernize exploitation techniques, and reach the vast deep-water oilfields.

Institutional Strengthening Reforms

- (a) Electoral Reform
- (b) Transparency Reform.

Mexico cannot continue to grow without a solid democratic system. With the Electoral Reform, a new autonomous National Electoral Institute will take on the tasks previously carried out by the Federal Electoral Institute. It will also oversee the income and expenditures of political parties, with the faculty to disqualify candidates whose campaigns surpass the allowed ceiling by 5%.

The Mexican State considers government opacity an obstacle to modernization and development. The Reform on Transparency strengthens the outreach of the autonomous Federal Institute for the Access to Information and Data Protection (IFAI) in order to increase accountability through a user-friendly online platform. Moreover, its resolutions will be definitive and irrevocable.

Reforms concerning the Rights of Persons

- (a) Education Reform
- (b) Juicio de Amparo (Habeas Corpus)
- (c) Criminal Procedures.

Undoubtedly, one of the greatest challenges facing Mexico is the quality of education. Fifty per cent of Mexican students do not have the basic mathematics skills marked by the international PISA system, while 41% do not meet its reading comprehension requirements. To reverse these tendencies, thanks to the Education Reform teachers will be subject to periodic evaluations to ensure that they are up to date with the latest pedagogic techniques. Likewise, the reform seeks to provide teachers with the tools and conditions required by their activities, while involving parents in the academic development of their children.

The *amparo* is a legal figure established in Mexico which allows individuals to protect themselves from arbitrary decisions by State authorities. However, its misuse has hampered the effectivity of judicial processes. The reform broadens the scope of the *amparo*, especially regarding human rights, including those defined by international treaties adopted by Mexico.

Lastly, the Reform on Criminal Procedures establishes a homogenous framework for all the thirty-two states in the Federation, giving greater procedural certainty to the rulings issued by tribunals and judges.

Certainly, the implementation of these reforms, as well as their benefits, will only become palpable in coming years. However, their transformative impact is evidence of a new long-term strategy, and opens a new phase for Mexico's domestic and international performance.

Mexico and the EU

Bilateral relations between Mexico and the EU have been governed since the year 2000 by the *Economic Partnership, Political Concertation and Cooperation Agreement* (Global Agreement). This framework established an FTA, while strengthening political dialogue and cooperation based on democratic principles and the respect for human rights.

In 2008, the Agreement was reinforced by a Strategic Partnership, distinguishing Mexico among the principal ten partners of the EU. Today, we maintain a continuous dialogue in fields such as human rights, the environment, finance, research and innovation and education, among others. Our relations have been further strengthened in other international fora such as the United Nations and the G20, due to our strong affinities and similar views on global governance.

Likewise, the dynamics of our cooperation have shifted. While in previous Framework Programmes Mexico and the EU interacted in a vertical manner (donor-beneficiary), Horizon 2020 and other new mechanisms envisage Mexico as an equal partner in projects of mutual benefit and with equal funding, allowing for joint action in favour of third countries.

Regarding the FTA, trade between Mexico and the EU has doubled in the last fourteen years, but only rounds USD 63 billion or 8% of Mexico's total trade, versus the greater presence of our Asian partners. This is why we are preparing negotiations to update our FTA, in order to increase trade and investment flows between both parties.

Indeed, the European private sector has well understood the benefits of the Mexican market as a platform for exports through the large network of FTAs signed in the last twenty years (besides North-American Free Trade Agreement (NAFTA)), and has maintained a growing pace of investment in Mexico. In 2013,

the EU became our first investment partner; in 2014 it accounted for 38% of total FDI, equal to USD 140 billion (seven times the EU's FDI during 1994–1999).

In the field of global governance, Mexico is a key partner to the EU, not only because of its economic importance but also due to its international position. Clearly, Mexico is a Latin American country and a principal leader in the region, particularly through the *Alianza del Pacífico*, a pragmatic economic-integration grouping. Mexico is also the main investor in Latin America. But at the same time, it is geographically located in the North American continent and is part of the NAFTA, the largest economic bloc in the world. Lastly, Mexico's strategic inter-oceanic position allows it to be part of several Asian economic mechanisms, such as APEC, and TPP in the near future.

In fact, due to its crossroads nature, Mexico is also part of the MIKTA group, formed by Mexico, Indonesia, South Korea, Turkey and Australia: all important emerging market democracies, with constructive views on international relations, both collectively and individually. MIKTA opens a new dimension for the EU, made up as it is of liberal democracies committed to global governance and institutional strength.

Mexico is undoubtedly a key partner for the EU. Its large market, vast territory, energy potential and international standpoint, vision and leadership, make it a natural ally in the foreign policies of the EU. Conversely, Mexico has benefited from the experience of the EU in the building of institutions, thanks to shared values as well as goals.

The modernization of our FTA with the EU, the first one with Latin America and the first that the EU has committed to update, will bring about increased economic flows while binding us closer together as partners in a rapidly changing world.